



**VHEMBE DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## General Information

Executive mayor	Dzhombere F.T
Chief whip	Dali T.S
Speaker	Mahasela M.C
Mayoral committe members	Manyuha M.L Mathavha H.F Mdaka F.P Muditambi L.J Mboyi M.D Mphaphuli C Ramoyada E.M Sibiya S Chauke F.T
Councillors	Baloyi E Bila J Bulala H Davhana J Denge L Gundula A.S Hlongwane F.S Hoorzuk J Kennealy A Mamedzi M Ligege T.S Magada S Makhomisane S.E Malada D.M Malada P Malange T.M Malima M.E Makhubela R.T Mariba M.J Mathalise L.M Mathukha N.R Mukhaninga M.R Mulaudzi V.E Mulaudzi R.L Mulovhedzi M.D Munyai N.S Moselankoe E Mbedzi T Mtileni V Nemaranzhe N Bvumbi P

## Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

### General Information

	Netshisaulu A.G
	Netshisaulu M.O
	Raluswanga T.J
	Rambuwani R.L
	Thanyani R
	Tharaga M.I
	Tshibvumo G
	Tshikovhi A
	Nkanyane R.G
	Temba M.P
	Tshivhase R
	Tshivhase A.E
Accounting Officer	Tshivhengwa N.F (Acting)
Chief Finance Officer (CFO)	Ramatlhape L
Registered office	Old Parliament Building Thohoyandou
Postal address	Private Bag x5006 Thohoyandou 0950
Bankers	First National Bank
Auditors	Auditor-General
Contact details	015 960 2000 ramatlhapem@vhembe.gov.za www.vhembe.gov.za

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

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## Vhembe District Municipality

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### Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 37 , in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Tshvengwa N.F.

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Statement of Financial Position

		2011	2010
	Note(s)		
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	5	14,943,566	10,850,433
Other receivables	6	34,756,159	1,837,714
VAT receivable	7	106,464,530	72,927,743
Consumer debtors	19	46,469,274	5,771,610
Cash and cash equivalents	8	76,600,976	185,225,861
		<u>279,234,505</u>	<u>276,613,361</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	2	1,915,989,437	1,259,515,959
Intangible assets	3	1,386,245	1,442,437
		<u>1,917,375,682</u>	<u>1,260,958,396</u>
<b>Total Assets</b>		<u>2,196,610,187</u>	<u>1,537,571,757</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	10	179,229,023	104,741,589
VAT payable	22	15,147,226	-
Consumer deposits	23	11,702,677	-
Unspent Grants	9	11,940,421	-
Short term portion of lease liability		3,293,299	2,997,599
		<u>221,312,646</u>	<u>107,739,188</u>
<b>Non-Current Liabilities</b>			
Finance lease obligation	4	10,812,948	10,014,036
<b>Total Liabilities</b>		<u>232,125,594</u>	<u>117,753,224</u>
<b>Net Assets</b>		<u>1,964,484,593</u>	<u>1,419,818,533</u>
<b>Net Assets</b>			
<b>Reserves</b>			
Revaluation reserve	20	31,545,625	-
Accumulated surplus		1,932,938,968	1,419,818,533
<b>Total Net Assets</b>		<u>1,964,484,593</u>	<u>1,419,818,533</u>

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Statement of Financial Performance

		2011	2010
	Note(s)		
Revenue			
Sale of water	11	77,687,333	20,970,984
Rental of facilities and equipment		62,145	64,311
Government grants & subsidies	12	759,474,628	972,368,369
Other income	24	1,832,319	1,485,122
Interest received - investment	16	17,333,790	22,179,011
Total Revenue		<u>856,390,215</u>	<u>1,017,067,797</u>
Expenditure			
Personnel	14	208,614,645	182,987,224
Remuneration of councillors	25	7,017,340	6,242,394
Administration	26	1,656,777	1,178,821
Transfer payments to local municipalities		44,131,614	48,322,913
Depreciation and amortisation	27	30,783,177	16,356,829
Impairment loss/ Reversal of impairments	29	-	(49,644)
Finance costs	30	2,043,871	1,445,615
Bad Debts(VAT irrecoverable)	15	11,933,760	33,768,366
Collection costs		1,390,177	118,389
Repairs and maintenance		39,076,649	30,724,924
General Expenses	13	141,601,550	159,192,622
Total Expenditure		<u>488,249,560</u>	<u>480,288,453</u>
Fair value adjustments	28	(17,862,826)	-
Surplus for the year		<u>350,277,829</u>	<u>536,779,344</u>

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Statement of Changes in Net Assets

	Revaluation reserve	Government grant reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	13,700,769	71,776,827	85,477,596	913,380,509	998,858,105
Adjustments					
Change in accounting policy	-	-	-	(112,634,653)	(112,634,653)
Balance at 01 July 2008	13,700,769	71,776,827	85,477,596	800,745,856	886,223,452
Changes in net assets					
Net income (losses) recognised directly in net assets	(13,700,769)	-	(13,700,769)	-	(13,700,769)
Surplus for the year	-	-	-	536,779,344	536,779,344
Reversal of Government grant reserve	-	(71,776,827)	(71,776,827)	71,776,827	-
Prior year adjustments	-	-	-	10,516,506	10,516,506
Total changes	(13,700,769)	(71,776,827)	(85,477,596)	619,072,677	533,595,081
Balance at July 01, 2010	-	-	-	1,582,661,139	1,582,661,139
Changes in net assets					
Fair value gains, net of tax: Land and buildings	31,545,625	-	31,545,625	-	31,545,625
Net income (losses) recognised directly in net assets	31,545,625	-	31,545,625	-	31,545,625
Surplus for the year	-	-	-	350,277,829	350,277,829
Total recognised income and expenses for the year	31,545,625	-	31,545,625	350,277,829	381,823,454
Total changes	31,545,625	-	31,545,625	350,277,829	381,823,454
Balance at June 30, 2011	31,545,625	-	31,545,625	1,932,938,968	1,964,484,593



# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Cash Flow Statement

	Note(s)	2011	2010
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		77,687,333	12,815,492
Grants		759,474,628	690,177,731
Interest income		17,333,790	22,179,011
Other receipts		1,894,464	913,649
		<u>856,390,215</u>	<u>726,085,883</u>
<b>Payments</b>			
Employee costs		(213,537,864)	(216,381,055)
Suppliers		(175,764,163)	(107,146,633)
Other payments		(306,176,822)	(53,241,220)
		<u>(695,478,849)</u>	<u>(376,768,908)</u>
<b>Net cash flows from operating activities</b>	18	<u>160,911,366</u>	<u>349,316,975</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(587,236,128)	(367,587,885)
Proceeds from sale of property, plant and equipment	2	3,051,515	-
Purchase of other intangible assets	3	(394,758)	(874,504)
Proceeds from sale of financial assets		(17,862,826)	-
Non-cash adjustments on asset opening balances		333,855,205	(175,378,219)
<b>Net cash flows from investing activities</b>		<u>(268,586,992)</u>	<u>(543,840,608)</u>
<b>Cash flows from financing activities</b>			
Movement in short term portion of lease liability		295,700	1,359,643
Finance lease payments		(1,244,959)	6,141,088
<b>Net cash flows from financing activities</b>		<u>(949,259)</u>	<u>7,500,731</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(108,624,885)</u>	<u>(187,022,902)</u>
Cash and cash equivalents at the beginning of the year		185,225,861	372,248,763
<b>Cash and cash equivalents at the end of the year</b>	8	<u>76,600,976</u>	<u>185,225,861</u>

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Accounting Policies

### 1. Basis of presentation of Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

#### 1.1 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going Concern Assumption

These Financial Statements have been prepared on the assumptions that municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Comparative information

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.4 Property, plant and equipment

##### INITIAL RECOGNITION.

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

## Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

### Accounting Policies

#### 1.4 Property, plant and equipment (continued)

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

##### SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

##### SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

##### DEPRECIATION AND IMPAIRMENT.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets [or state other method used, e.g. production-unit- or diminishing balance method]. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life in Years
Buildings	
• Buildings	30
Furniture and fixtures	
• Furniture and Fittings	7-10
Motor vehicles	
• Other Vehicles	5
Office equipment	
• Office Equipment	3-7
IT equipment	
• Computer Equipment	3
Infrastructure	
• Roads and Paving	30
• Water	15-20
• Sewerage	15-20
Community	
• Buildings	30
• Recreational Facilities	20-30
Other property, plant and equipment	
• Other items of property, plant and equipment	2-5
• Specialised plant and equipment	10-15

**Accounting Policies****1.4 Property, plant and equipment (continued)****Specialised vehicles**

- Specialised vehicles

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The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance. .

**DERECOGNITION.**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.5 Intangible assets****INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably. .

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost..

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. .

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up..

**SUBSEQUENT MEASUREMENT - COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test..

**AMORTISATION AND IMPAIRMENT.**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives.

Computer software

## **Accounting Policies**

### **1.5 Intangible assets (continued)**

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### **DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.6 Inventories**

#### **INITIAL RECOGNITION.**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process..

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired. .

#### **SUBSEQUENT MEASUREMENT.**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. .

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. .

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method. .

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

## **Accounting Policies**

### **1.7 Financial instruments**

#### **Initial recognition**

Financial instruments are initially recognised at fair value.

#### **Subsequent measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### **Trade and other receivables**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current..

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **Trade payables and Borrowings**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### **Cash and cash equivalents**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost..

### **1.8 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

## Accounting Policies

### 1.9 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.10 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.11 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met

- The municipality has detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### 1.12 Leases

#### MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

**Accounting Policies****1.12 Leases (continued)**

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

**MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**1.13 Revenue from exchange transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of water prepaid meter cards is recognised at the point of sale.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the selling of tender documents.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

**1.14 Conditional Grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

**1.15 Borrowing costs**

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.



## Accounting Policies

### 1.16 Impairment assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset..

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### 1.17 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### Other grants and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### 1.18 Standards and Interpretations have been issued but are not yet effective

#### Grap 18 Segment Reporting

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Accounting Policies

### 1.18 Standards and interpretations have been issued but are not yet effective (continued)

Grap 21 Impairment of Non -cash - generating Assetst

GRAP 23 Revenue from Non- Exchange Transactions ( Taxes and Transfers)

GRAP 24 Presentation of Budget Information

GRAP 25 Employee Benefits

GRAP 26 Impairment of Cash-generating Assets

GRAP 103 Heritage Assets

GRAP 104 Financial Instruments

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

2011

2010

### 2. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	182,027,609	639,285	182,666,894	88,655,284	(5,666,551)	82,988,733
Plant and machinery	6,110,457	(897,812)	5,212,645	1,267,500	(897,812)	369,688
Furniture and fixtures	7,727,868	(3,171,843)	4,556,025	9,359,788	(3,171,843)	6,187,945
Motor vehicles	27,929,629	(10,186,426)	17,743,203	25,026,262	(7,904,236)	17,122,026
Office equipment	964,064	(970,178)	(6,114)	1,370,626	(970,178)	400,448
IT equipment	3,467,640	(3,476,349)	(8,709)	3,458,001	(2,879,449)	578,552
Infrastructure	32,533,506	(3,909,303)	28,624,203	305,156,882	(3,909,303)	301,247,579
Other property, plant and equipment	54,779,252	(33,094,354)	21,684,898	38,233,094	(16,062,324)	22,170,770
Capital work in progress	1,646,377,196	-	1,646,377,196	816,928,874	-	816,928,874
Leased Assets	17,216,676	(8,077,480)	9,139,196	15,729,249	(4,207,905)	11,521,344
<b>Total</b>	<b>1,979,133,897</b>	<b>(63,144,460)</b>	<b>1,915,989,437</b>	<b>1,305,185,560</b>	<b>(45,669,601)</b>	<b>1,259,515,959</b>

#### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Write-Off	Adjustment	Gains/losses from changes in Fair Value	Depreciation	Total
Buildings	82,988,733	45,260,745	-	(19,178,037)	78,622,718	(5,027,265)	182,666,89
Plant and machinery	369,688	5,190,299	-	-	(94,768)	(252,574)	5,212,64
Furniture and fixtures	6,187,945	169,745	(552,506)	-	(347,749)	(901,410)	4,556,02
Motor vehicles	17,122,026	2,895,761	(271,750)	-	279,355	(2,282,189)	17,743,20
Office equipment	400,448	31,567	(60,565)	150,448	(27,294)	(500,718)	(6,11
IT equipment	578,552	11,000	(554)	(46,920)	46,113	(596,900)	(8,70
Infrastructure	301,247,579	4,879,000	(284,457)	(273,306,273)	6,816,023	(10,727,669)	28,624,20
Other property, plant and equipment	22,170,770	44,359	(1,881,683)	(318,865)	6,572,550	(4,902,233)	21,684,89
Capital work in progress	816,928,874	527,404,540	-	302,043,782	-	-	1,646,377,19
Leased Assets	11,521,344	1,349,112	-	-	138,316	(3,869,576)	9,139,19
<b>Total</b>	<b>1,259,515,959</b>	<b>587,236,128</b>	<b>(3,051,515)</b>	<b>9,344,135</b>	<b>92,005,264</b>	<b>(29,060,534)</b>	<b>1,915,989,43</b>

#### Reconciliation of property, plant and equipment - 2010

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

2011

2010

### 2. Property, plant and equipment (continued)

	Opening balance	Additions	Adjustment	Other changes, movements	Depreciation	Total
Buildings	41,097,036	25,008,703	19,178,037	-	(2,295,043)	82,988,733
Plant and machinery	496,437	-	-	-	(126,749)	369,688
Furniture and fixtures	5,171,086	1,906,631	-	(12,655)	(877,117)	6,187,945
Motor vehicles	12,057,064	7,516,412	-	-	(2,451,450)	17,122,026
Office equipment	573,278	-	-	-	(172,830)	400,448
IT equipment	1,254,756	-	-	-	(676,204)	578,552
Infrastructure	17,985,652	1,620,818	282,865,745	-	(1,224,636)	301,247,579
Other property, plant and equipment	22,964,533	3,834,500	-	-	(4,628,263)	22,170,770
Capital work in progress	791,271,835	327,700,821	(302,043,782)	-	-	816,928,874
Leased Assets	14,961,620	-	-	-	(3,440,276)	11,521,344
	<b>907,833,297</b>	<b>367,587,885</b>	<b>-</b>	<b>(12,655)</b>	<b>(15,892,568)</b>	<b>1,259,515,959</b>

### 3. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3,283,111	(1,896,866)	1,386,245	2,888,353	(1,445,916)	1,442,437

#### Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,442,437	394,758	(450,950)	1,386,245

#### Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,032,194	874,504	(464,261)	1,442,437

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

	2011	2010
<b>4. Finance lease obligation</b>		
Minimum lease payments due		
- within one year	4,913,632	4,477,488
- in second to fifth year inclusive	8,238,888	11,923,769
	<u>13,152,520</u>	<u>16,401,257</u>
less: future finance charges	2,043,871	(3,389,622)
Present value of minimum lease payments	<u>15,196,391</u>	<u>13,011,635</u>
Present value of minimum lease payments due		
- within one year	3,801,450	2,997,599
- in second to fifth year inclusive	7,307,199	10,014,036
	<u>11,108,649</u>	<u>13,011,635</u>
<p>It is the municipality's policy to lease certain items of property, plant and equipment under finance leases. The municipality has in the current financial year leased both computer equipment and photocopiers from Meondo Technologies Ltd and Data Master respectively.</p> <p>The average lease term was between 3 - 5 years and the average effective borrowing rate was 14%.</p> <p>Interest rates are fixed at the contract date. The photocopier lease held with Data Master escalates at 10% p.a and no arrangements have been entered into for contingent rent.</p>		
<b>5. Inventories</b>		
Consumable stores	3,297,937	1,822,746
Maintenance Material	11,645,629	9,027,687
	<u>14,943,566</u>	<u>10,850,433</u>
<b>6. Other receivables</b>		
Sundry Debtors	810,349	530,401
Staff Debtors	482,700	1,146,780
Operating lease receivables	(10)	-
Water	33,255,396	-
MPCC Debtors	207,724	160,533
	<u>34,756,159</u>	<u>1,837,714</u>
<b>7. VAT receivable</b>		
VAT	<u>106,464,530</u>	<u>72,927,743</u>
<b>8. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

	2011	2010
<b>8. Cash and cash equivalents (continued)</b>		
Cash on hand	1,592	955
Bank balances	18,420,460	37,677,874
Short-term deposits	58,178,924	147,547,032
	<u>76,600,976</u>	<u>185,225,861</u>

Cash and cash equivalents comprises on cash on hand and cash with banks. Cash equivalents are short term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

58,178,924 147,547,032

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	June 30, 2010	June 30, 2009	June 30, 2011	June 30, 2010	June 30, 2009
First National Bank -Current Account - 6202 1931 458	47,933,901	115,466,460	73,013,958	17,517,671	37,677,874	3,957,999
Absa Bank - Call Account - 2061 8386 68	30,734,830	153,807,260	26,416,217	30,734,830	104,120,797	26,416,217
First National Bank - 32 days account -7415 6880 731	-	-	194,475,418	-	-	194,475,478
First National Bank - Call Account - 6203 6334 803	2,368,831	16,367,904	53,926,470	2,368,831	837,229	53,926,470
Nedbank - Account Type - 7468 013306	25,045,216	96,349,925	-	25,045,216	42,589,006	-
Absa Bank - 21 days call account -	-	-	-	-	-	5,005
<b>Total</b>	<u>106,082,778</u>	<u>381,991,549</u>	<u>347,832,063</u>	<u>75,666,548</u>	<u>185,224,906</u>	<u>278,781,169</u>

### 9. Unspent Grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts  
Municipal Infrastructure Grant

11,940,421 -

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

	2011	2010
<b>10. Trade and other payables from exchange transactions</b>		
Trade payables	71,918,957	37,450,319
Accrued leave pay	21,282,121	19,123,337
Accrued bonus	2,001,590	1,378,162
Provision for bonus	6,254,588	3,768,996
Retention	77,771,767	43,020,775
	<u>179,229,023</u>	<u>104,741,589</u>
<b>11. Revenue</b>		
Sale of water	77,687,333	20,970,984
Rental of facilities & equipment	62,145	64,311
Government grants & subsidies	759,474,628	972,368,369
	<u>837,224,106</u>	<u>993,403,664</u>
<b>The amount included in revenue arises from the sale of water.</b>		
Sale of water	77,687,333	20,970,984
Rental of facilities & equipment	62,145	64,311
	<u>77,749,478</u>	<u>21,035,295</u>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	<u>759,474,628</u>	<u>972,368,369</u>

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

	2011	2010
<b>12. Government grants and subsidies</b>		
Equitable Shares	371,245,866	296,590,595
Municipal Systems Improvements Grant	750,000	735,000
Municipal Infrastructure Grant	216,342,000	205,008,000
Municipal Health Services Grant	16,967,500	13,000,000
DWAE Personnel Grant	97,474,579	143,264,000
Financial Management Grant	1,000,000	750,000
ACIP- Sanitation grant	19,975,488	-
Bulk Infrastructure Grant	31,782,195	23,487,596
DWE Grant: Disaster	-	2,000,000
Unspent Grants Transfer to Income	-	282,190,628
EPWP Grant	3,937,000	5,342,550
	<b>759,474,628</b>	<b>972,368,369</b>
<b>Government grants</b>		
Balance unspent at beginning of year	-	113,212,632
Current-year receipts	771,415,049	411,787,146
Conditions met - transferred to revenue	-	(521,457,228)
Other	(759,474,628)	(3,542,550)
	<b>11,940,421</b>	<b>-</b>
<b>Equitable Share</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	371,245,866	-
Conditions met-transferred to revenue	(371,245,866)	-
	<b>-</b>	<b>-</b>
<b>Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	-	104,185,403
Current-year receipts	216,342,000	205,008,000
Conditions met - transferred to revenue	(216,342,000)	(309,193,403)
	<b>-</b>	<b>-</b>
<b>Finance Management Grant (FMG)</b>		
Balance unspent at beginning of year	-	610,647
Current-year receipts	1,000,000	750,000
Conditions met - transferred to revenue	(1,000,000)	(1,360,647)
	<b>-</b>	<b>-</b>
<b>Municipal Systems Improvement Grant (MSIG)</b>		
Balance unspent at beginning of year	-	1,994,722
Current-year receipts	750,000	735,000



## Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

### Notes to the Annual Financial Statements

	2011	2010
<b>12. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(750,000)	(2,729,722)
	-	-
<b>DWAE Grant</b>		
Balance unspent at beginning of year	-	5,733,946
Current-year receipts	109,415,000	143,264,000
Conditions met - transferred to revenue	(97,474,579)	(148,997,946)
Conditions not met	(11,940,421)	-
	-	-
<b>Municipal Health Services Grant</b>		
Balance unspent at beginning of year	-	687,914
Current-year receipts	16,967,500	13,000,000
Conditions met - transferred to revenue	(16,967,500)	(13,687,914)
	-	-
<b>Bulk Infrastructure Grant</b>		
Current-year receipts	31,782,195	25,487,596
Conditions met - transferred to revenue	(31,782,195)	(25,487,596)
	-	-
<b>Public Works Programme Incentive Grant</b>		
Current-year receipts	3,937,000	3,542,550
Conditions met - transferred to revenue	(3,937,000)	(3,542,550)
	-	-

## Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

### Notes to the Annual Financial Statements

	2011	2010
<b>13. General expenses</b>		
Advertising	1,994,772	1,143,382
Auditors remuneration	2,711,654	2,283,117
Bank charges	115,572	153,723
Cleaning	30,689	19,210
Computer expenses	10,000	269
Consulting and professional fees	10,761,545	10,441,841
Entertainment	891,523	783,850
Insurance	1,953,422	855,589
Community development and training	472,849	71,587,635
Conferences and seminars	984,052	491,292
Lease rentals on operating lease	12,856,439	6,068,999
Magazines, books and periodicals	96,139	52,860
Licences	144,022	95,277
Fuel and oil	2,026,432	4,071,502
Placement fees	16,614	99,566
Postage and courier	7,010	4,432
Printing and stationery	11,397,615	5,395,622
Promotions	47,040	23,887
Protective clothing	1,587,245	296,711
Project maintenance costs	-	4,997
Security (Guarding of municipal property)	12,356,865	10,231,095
Software expenses	416,649	-
Staff welfare	534,622	92,300
Subscriptions and membership fees	1,381,199	1,938,683
Telephone and fax	3,143,297	2,797,562
Transport and freight	43,562	1,295,188
Training	3,448,485	4,030,852
Travel - local	3,473,778	3,225,174
Travel - overseas	125,034	187,759
Electricity	18,816,465	12,189,872
Water	9,680,114	4,807,799
Utilities - 2	19,862,748	-
Uniforms	2,206,327	1,035,318
Accommodation	3,578,590	2,185,300
Community programmes	3,618,263	3,380,036
Mayor's Bursary Fund	3,040,366	4,476,770
Exhibition	2,735,336	1,233,777
Summit	772,077	590,237
Bereavement costs	259,433	430,202
Veterinary department	617,362	681,027
Billing charges	218,179	44,723
Chemicals	159,478	88,656
IDP Review Costs	330,463	282,549
Cylinders	2,678,224	93,982
	<b>141,601,550</b>	<b>159,192,622</b>

**Vhembe District Municipality**

Annual Financial Statements for the year ended June 30, 2011

**Notes to the Annual Financial Statements**

	2011	2010
<b>14. Employee related costs</b>		
Basic	134,123,371	110,636,932
Bonus	13,068,374	13,908,062
Medical aid - company contributions	5,225,110	3,736,328
UIF	410,243	1,001,868
WCA	218,019	-
SDL	1,568,723	1,146,978
Leave pay provision charge	2,294,990	19,313,940
Other short term costs	12,871	50,427
Post-employment benefits - Pension - Defined contribution plan	20,782,500	16,993,650
Travel, motor car, accommodation, subsistence and other allowances	13,589,187	9,032,864
Overtime payments	8,763,813	5,321,568
Long-service awards	645,657	-
Housing benefits and allowances	7,903,954	1,836,644
Other Payroll Costs	7,833	7,963
	<b>208,614,645</b>	<b>182,987,224</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	139,138	559,677
Car Allowance	33,967	221,796
Performance Bonuses	-	42,277
Contributions to UIF, Medical and Pension Funds	109,023	147,096
Reimbursive Allowance	29,741	-
Other	17,681	92,934
<b>Total</b>	<b>329,550</b>	<b>1,063,780</b>
<b>Remuneration of chief financial officer</b>		
Annual Remuneration	477,176	450,441
Car Allowance	184,095	180,899
Contributions to UIF, Medical and Pension Funds	-	127,132
Reimbursive Allowance	103,718	-
Housing Subsidy	-	3,775
Other	17,681	7,539
<b>Total</b>	<b>782,670</b>	<b>769,786</b>
<b>Remuneration of general manager: Technical Services</b>		
Annual Remuneration	543,625	433,847
Car Allowance	152,881	153,296
Contributions to UIF, Medical and Pension Funds	117,452	107,113
Bonus	-	37,333
Reimbursive Allowance	74,792	-
Other	61,923	10,964
<b>Total</b>	<b>950,673</b>	<b>742,553</b>
<b>Remuneration of general manager: Community Services</b>		

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

	2011	2010
<b>14. Employee related costs (continued)</b>		
Annual Remuneration	456,125	424,236
Car Allowance	195,259	198,992
Contributions to UIF, Medical and Pension Funds	101,885	94,893
Reimbursive Allowance	49,897	-
Other	29,918	9,891
<b>Total</b>	<b>833,084</b>	<b>728,012</b>
<b>Remuneration of general manager: Planning</b>		
Annual Remuneration	456,125	426,633
Car Allowance	169,245	183,169
Contributions to UIF, Medical and Pension Funds	149,971	101,923
Subsistence Allowance	31,595	-
Other	28,863	9,891
<b>Total</b>	<b>835,799</b>	<b>721,616</b>
<b>Remuneration general manager: Office of the Mayor</b>		
Annual Remuneration	456,125	424,236
Car Allowance	169,245	173,005
Contributions to UIF, Medical and Pension Funds	201,553	122,337
Reimbursive Allowance	36,295	-
Other	28,865	9,891
<b>Total</b>	<b>892,083</b>	<b>729,469</b>
<b>Remuneration general manager: Corporate Services</b>		
Annual Remuneration	495,420	424,236
Car Allowance	164,082	163,639
Performance Bonuses	-	29,850
Contributions to UIF, Medical and Pension Funds	200,390	94,893
Reimbursive Allowance	31,188	-
Other	35,872	15,845
<b>Total</b>	<b>926,952</b>	<b>728,463</b>
<b>15. Bad debts</b>		
VAT irrecoverable	11,933,760	33,768,366
<b>16. Investment revenue</b>		
Interest revenue		
Bank	12,328,547	22,179,011
Interest charged on trade and other receivables	5,005,243	-
	<b>17,333,790</b>	<b>22,179,011</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

	2011	2010
17. Auditors' remuneration		
Fees	2,711,654	2,283,117
18. Cash generated from operations		
Surplus	350,277,829	536,779,344
Adjustments for:		
Depreciation and amortisation	30,783,177	16,356,829
Fair value adjustments	17,862,826	-
Finance costs - Finance leases	2,043,871	1,445,615
Interest income	(17,333,790)	(22,179,011)
Impairment reversals	-	(49,644)
Debt impairment	11,933,760	33,768,366
Movements in provisions	-	(7,417,482)
Non-cash adjustments to property plant and equipment	(236,688,026)	148,761,676
Other non cash items - Payroll Provisions	-	11,905,236
Changes in working capital:		
Inventories	(4,093,133)	(6,503,581)
Other receivables	(32,918,455)	(231,356)
Consumer debtors	(40,697,664)	1,757,729
Trade and other payables from exchange transactions	74,487,434	(72,972,887)
VAT	(18,389,561)	(9,913,221)
Unspent Grants	11,940,421	(282,190,638)
Consumer deposits	11,702,677	-
	<u>160,911,366</u>	<u>349,316,975</u>

## Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

### Notes to the Annual Financial Statements

	2011	2010
<b>19. Consumer debtors</b>		
Gross balances		
Water	46,469,274	35,796,922
Less: Provision for bad debts		
Water	-	(30,025,312)
Net balance		
Water	46,469,274	5,771,610
Water		
Current (0 -30 days)	6,968,891	2,301,283
31 - 60 days	2,322,963	1,398,138
61 - 90 days	6,974,392	2,370,187
91 - 120 days	9,291,855	6,686,677
121 - 365 days	20,911,173	23,040,637
Provision	-	(30,025,312)
	46,469,274	5,771,610
Summary of debtors by customer classification		
Less: Provision for debt Impairment		
61 - 90 days	-	(30,025,312)
Reconciliation of bad debt provision		
Balance at beginning of the year	-	6,984,676
Contributions to provision	-	23,040,637
	-	30,025,313

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

	2011	2010
<b>20. Revaluation reserve</b>		
The revaluation reserve is as a result of the valuation of buildings during conversion. This is however a non distributable reserve.		
Buildings Valuation	31,545,625	13,700,769
Reversal of Building Revaluation	-	(13,700,769)
	<u>31,545,625</u>	<u>-</u>
<b>21. Government grant reserve</b>		
This is as a result of items property, plant and equipment that were financed by government grants. Items of property, plant and equipment were unbundled, which resulted in the recognition of the government grant reserve. A transfer was made from accumulated surplus to the government grant reserve equal to the opening balance of assets. Depreciation on assets financed through grants was also offset against the grant reserve, with a corresponding entry on accumulated surplus.		
Government Grant Reserve	-	71,776,827
Reversal of Government Grant Reserve	-	(71,776,827)
	<u>-</u>	<u>-</u>
<b>22. VAT payable</b>		
Tax refunds payables	<u>15,147,226</u>	<u>-</u>
<b>23. Consumer deposits</b>		
Water	<u>11,702,677</u>	<u>-</u>
<b>24. Other Income</b>		
Tender Documents	1,239,672	445,041
Sales of Manure	12,743	1,656
Certification of Acceptability	(296)	672
Fire Services	67,080	46,164
Sundry Income	513,120	991,589
	<u>1,832,319</u>	<u>1,485,122</u>
<b>25. Remuneration of councillors</b>		
Executive Mayor	571,360	428,024
Speaker	650,578	452,642
Chief Whip	72,003	196,824
Mayoral Committee Members	1,759,593	1,425,073
Councillors	1,212,440	1,813,959
Councillors' pension contributions and other	698,372	108,315
Sitting allowance	116,802	166,666
Telephone Allowance	297,008	266,019
Travel Allowance	1,639,184	1,384,872
Total	<u>7,017,340</u>	<u>6,242,394</u>
In-kind benefits		

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

	2011	2010
<b>25. Remuneration of councillors (continued)</b>		
The Executive Mayor, Speaker ,Chief whip and all portfolio heads for the following departments (Finance, Technical services, Community services,Corporate services and Planning they are full time.The Executive Mayor has provided with Municipal vehicle duties.		
<b>26. Administrative expenditure</b>		
Administration and management fees - third party	1,656,777	1,178,821
<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	30,634,445	15,892,588
Intangible assets	148,732	464,241
	<u>30,783,177</u>	<u>16,356,829</u>
<b>28. Fair value adjustments</b>		
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	(17,862,826)	-
<b>29. Impairment of assets</b>		
Impairments		
Intangible assets	-	(49,644)
<b>30. Finance costs</b>		
Finance leases	2,043,871	1,445,615
Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit .		
<b>31. Operating lease</b>		
Within one year	5,966,016	6,612,573
In the second to fifth year inclusive	6,681,938	7,979,017
	<u>12,647,954</u>	<u>14,591,590</u>
<b>32. Bulk purchases</b>		
Department of Water Affairs did not bill the municipality for water.		



## Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

### Notes to the Annual Financial Statements

2011

2010

#### 33. Commitments

##### Authorised capital expenditure

The Council has committed itself to the following capital projects:

• Approved and Contracted	575,050,417	254,086,463
• Approved not Contracted	358,503,794	175,976,093
	<u>933,554,211</u>	<u>430,062,556</u>

This committed expenditure will be financed from grants and subsidies received from treasury.

#### 34. Contingencies

##### Contingent Liabilities

N W Civils	5,868,748	-
T Mphigalale	118,748	118,748
Van Der Weshuizen	1,824,443	1,824,443
CTL Workshop	964,250	-
Mamcom	1,297,023	-
	<u>10,073,212</u>	<u>1,943,191</u>

Litigation is in process against the municipality and no value attached .

##### SAMWU

Makananise Takalani

Phehlukwayo

Romeo & Associates

Ndou Khangwelo

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

	2011	2010
<b>35. Related parties</b>		
Relationships		
Members of key management		
	Mr KTM Sigidi:Municipal Manager	
	Ms L Ramatlhape CFO	
	Mr TT Nyathela:GM Corporate Services	
	Mr NF Tshivhengwa:GM Technical Services	
	Mr M A NemaKonde:GM Community Services	
	Mr M T Makumule:GM Planning	
	Mr S S Razwiedani:GM Office of the Mayor.	
Municipality did not enter into business with the above members of the key management and their close family members.		
<b>Transfers to locals</b>		
<b>Transfers made to local municipalities.</b>		
Thulamela Local Municipality	36,074,722	34,998,314
Mutale Local Municipality	22,952,249	13,324,600
Makhado Local Municipality	5,980,152	10,750,000
<b>Transfers to Musina Local Municipality</b>		
Musina Local Municipality	1,500,000	2,791,323
<b>Compensation to accounting officer and other key management</b>		
Short-term employee benefits	623,429	765,097
<b>36. Going concern</b>		
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.		
<b>37. Fruitless and wasteful expenditure</b>		
Fruitless and wasteful expenditure	183,645	283,667
<b>38. Irregular expenditure</b>		
Add: Irregular Expenditure - current year	314,397	-
<b>Details of irregular expenditure – current year</b>		
Non Compliance with the SCM policy	Disciplinary steps taken/criminal proceedings It is still under investigation	314,397
<b>39. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	1,052,963	-
Amount paid - current year	(1,052,963)	-
	-	-

## Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

### Notes to the Annual Financial Statements

	2011	2010
<b>39. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Audit fees</b>		
Opening balance	-	1,628,158
Current year fee	2,711,654	(2,711,654)
Amount paid - current year	(2,711,654)	(1,628,158)
	<u>-</u>	<u>(2,711,654)</u>
<b>PAYE and UIF</b>		
Opening balance	-	3,391
Current year subscription / fee	21,860,556	18,508,636
Amount paid - current year	(21,860,556)	(18,508,636)
	<u>-</u>	<u>3,391</u>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	-	34,211
Current year subscription / fee	26,007,609	31,391,660
Amount paid - current year	(26,007,609)	(31,391,660)
	<u>-</u>	<u>34,211</u>
<b>VAT</b>		
VAT receivable	106,464,530	72,927,743
VAT payable	15,147,226	-
	<u>121,611,756</u>	<u>72,927,743</u>

All VAT returns have been submitted by the due date throughout the year.

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

## Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

### Notes to the Annual Financial Statements

2011

2010

#### 39. Additional disclosure in terms of Municipal Finance Management Act (continued)

##### Incident

Equipment and services for the server room	-	2,387,958
Exhibition stand for rand show at Johannesburg	-	103,444
Accommodation, catering, Decoration and Sound system for Vhembe District Land Development Summit	-	258,650
Accommodation and Meals	-	88,780
Catering for the Festive Season	-	77,607
Catering during the presidential visit at Lemana	79,500	-
Accommodation for than 300 people, catering and conference center	457,600	-
Conference Venue	35,400	-
Repair of the sewerage system at Makuya Thusong centre	47,690	-
50 Emergency Tent and 30 salvage sheets	438,362	-
Accommodation and meals for 80 people attending district men's Indaba	59,100	-
Accommodation, meals and conference package for people attending Air quality management workshop	34,600	-
Accommodation, meals and conference for youth economic summit	76,152	-
Accommodation and meals for people attending District Disability Economic Empowerment summit	85,075	-
Catering during Easter holidays	81,515	-
Catering for people attending hand over of Masisi taxi rank	62,800	-
Catering, breakfast and lunch for 250 people attending the IDP consultation meeting	65,675	-
Request for VDM to participate in the 2011 edition of Limpopo Tourism and Leisure Magazine	19,665	-
Catering of 250 people attending Youth day.	50,000	-
	<u>1,593,134</u>	<u>2,916,439</u>

#### 40. Comparative figures

2010/11 comparative figures have been presented in this annual financial statements:

The figure of WIP was reduced due to the correct allocation of projects to their rightful class. Because their status has changed from WIP to completed projects. The difference of Furniture & Fixtures was due to the amount of R12656 of write offs that were not included. The corrections are to be Presented as follows:

##### Statement of financial position

Buildings	82,988,733	63,810,696
Infrastructure	301,247,579	18,381,834
Furniture & Fixtures	6,200,601	6,187,945
Work in progress	816,928,875	1,118,972,656

#### 41. Correction of prior period errors

During the year under review comparative figures were adjusted and the following is the effect on prior balance. The effects of the restatement is that the respective balance sheet components have been restated as well as the retained earnings.

##### Statement of Financial Performance

Bulk water purchases	-	986,896
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## Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

### Notes to the Annual Financial Statements

Figures in Rand

#### 42. Statement of comparative and actual information

2011

##### Financial Performance

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Investment revenue	27,459,631	10,255,944	10,255,944	17,333,790	(7,077,846)	169 %	63 %
Transfers recognised - operational	559,309,733	622,359,377	622,359,377	759,474,628	(137,115,251)	122 %	136 %
Other own revenue	141,891,953	137,282,589	137,282,589	84,863,825	52,418,764	62 %	60 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>728,660,717</b>	<b>769,897,910</b>	<b>769,897,910</b>	<b>861,672,243</b>	<b>(91,774,333)</b>	<b>112 %</b>	<b>118 %</b>
Employee costs	159,098,171	215,874,814	215,874,814	(208,614,645)	424,489,459	(97)%	(131)%
Remuneration of councillors	(7,700,412)	7,280,000	7,280,000	(7,017,340)	14,297,340	(96)%	91 %
Bad debts (VAT irrecoverable)	-	-	-	(11,933,760)	11,933,760	DIV/O %	DIV/O %
Depreciation and asset impairment	(6,749,218)	-	-	(30,783,177)	30,783,177	DIV/O %	456 %
Finance charges	30,000	250,000	250,000	(2,043,871)	2,293,871	(818)%	(6,813)%
Other expenditure	275,267,207	240,026,152	240,026,152	(251,001,621)	491,027,773	(105)%	(91)%
<b>Total expenditure</b>	<b>419,945,748</b>	<b>463,430,966</b>	<b>463,430,966</b>	<b>(511,394,414)</b>	<b>974,825,380</b>	<b>(110)%</b>	<b>(122)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>1,148,606,465</b>	<b>1,233,328,876</b>	<b>1,233,328,876</b>	<b>350,277,829</b>	<b>883,051,047</b>	<b>28 %</b>	<b>30 %</b>

## Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2011

### Notes to the Annual Financial Statements

Figures in Rand

#### 42. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources							
Sources of capital funds							
Transfers recognised - capital	300,360	235,691	235,691	-	235,691	- %	- %
Internally generated funds	51,573	56,108	56,108	-	56,108	- %	- %
<b>Total sources of capital funds</b>	<b>351,933</b>	<b>291,799</b>	<b>291,799</b>	<b>-</b>	<b>291,799</b>	<b>- %</b>	<b>- %</b>

#### Cash flows

Net cash from (used) operating	362,832	523,047,536	523,047,536	160,911,366	362,136,170	31 %	44,349 %
Net cash from (used) investing	(373,539)	(490,501)	(490,501)	(268,586,992)	268,096,491	54,758 %	71,903 %
Net cash from (used) financing	(10,707)	4,028	4,028	(949,259)	953,287	(23,567)%	8,866 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(21,414)</b>	<b>522,561,063</b>	<b>522,561,063</b>	<b>(108,624,885)</b>	<b>631,185,948</b>	<b>(21)%</b>	<b>507,261 %</b>
Cash and cash equivalents at the beginning of the year	10,707	(193,990)	(193,990)	185,225,861	(185,419,851)	(95,482)%	1,729,951 %
<b>Cash and cash equivalents at year end</b>	<b>(10,707)</b>	<b>522,367,073</b>	<b>522,367,073</b>	<b>76,600,976</b>	<b>445,766,097</b>	<b>15 %</b>	<b>(715,429)%</b>

The municipality entered into two lease contracts for the rental of both offices and vehicles. The two lease were entered into with South African Post Office and Tshumisano Trading respectively. Operating lease payments have been accounted for in terms of GRAP 13, applying an escalation rate of 9% and 12% per annum respectively.

**Vhembe District Municipality**  
**Vhembe District Municipality**  
**Appendix B**  
June 2011

**Analysis of property, plant and equipment as at 30 June 2011**  
**Cost/Revaluation**  
**Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>								
Buildings (Separate for AFS purposes)	82,988,733	40,610,813	78,622,718	202,222,264	5,068,551	5,027,265	10,693,816	212,916,080
	<u>82,988,733</u>	<u>40,610,813</u>	<u>78,622,718</u>	<u>202,222,264</u>	<u>5,068,551</u>	<u>5,027,265</u>	<u>10,693,816</u>	<u>212,916,080</u>
<b>Infrastructure</b>								
Roads, Pavements & Bridges	301,247,579	4,879,000	5,232,984	311,359,563	3,909,302	10,727,689	14,636,971	325,996,534
	<u>301,247,579</u>	<u>4,879,000</u>	<u>5,232,984</u>	<u>311,359,563</u>	<u>3,909,302</u>	<u>10,727,689</u>	<u>14,636,971</u>	<u>325,996,534</u>
<b>Community Assets</b>								

**Vhembe District Municipality**  
**Vhembe District Municipality**  
**Appendix B**  
June 2011

**Analysis of property, plant and equipment as at 30 June 2011**  
**Cost/Revaluation**  
**Accumulated depreciation**

	Opening Balance	Additions	Revaluations	Closing Balance	Opening Balance	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Heritage assets</b>								
<b>Specialised vehicles</b>								
Fire	12,802,063	-	597,061	13,227,374	5,769,500	1,568,194	7,337,694	20,565,068
	12,802,063	-	597,061	13,227,374	5,769,500	1,568,194	7,337,694	20,565,068
<b>Other assets</b>								
General vehicles	4,319,963	2,895,761	(417,705)	6,798,019	2,134,736	713,985	2,848,731	9,646,750
Plant & equipment	369,688	5,190,239	94,768	5,654,735	897,812	252,574	1,150,386	6,805,141
Computer Equipment	578,552	11,000	46,113	635,219	2,878,448	596,900	3,476,348	4,112,567
Furniture & Fittings	6,200,501	169,745	347,749	7,278,390	3,171,843	905,277	4,077,120	11,356,510
Office Equipment	400,446	31,987	27,294	519,874	970,178	500,718	1,470,896	1,990,770
Office Equipment - Leased	11,521,345	1,349,106	138,316	13,008,767	4,207,904	3,869,576	8,077,480	21,086,247
Other buildings	82,968,733	40,610,813	78,622,718	202,222,264	5,666,551	5,027,265	10,693,816	212,916,090
Work in progress	816,928,875	248,394,965	-	1,065,313,840	-	-	1,065,313,840	-
Other	22,170,770	44,359	6,572,550	30,669,362	16,062,324	4,902,233	20,964,557	51,633,919
	945,478,975	298,687,615	85,431,803	1,332,102,490	35,990,796	16,768,538	52,759,334	1,384,861,824
<b>Total property plant and equipment</b>								
Land and buildings	82,968,733	40,610,813	78,622,718	202,222,264	5,666,551	5,027,265	10,693,816	212,916,090
Infrastructure	301,247,579	4,879,000	5,232,994	311,359,563	3,909,302	10,727,669	14,636,971	325,996,534
Specialised vehicles	12,802,063	-	597,061	13,227,374	5,769,500	1,568,194	7,337,694	20,565,068
Other assets	945,478,975	298,687,615	85,431,803	1,332,102,490	35,990,796	16,768,538	52,759,334	1,384,861,824
	1,342,517,350	344,177,428	169,984,566	1,856,511,691	51,336,149	34,091,666	85,427,815	1,944,339,506
<b>Agricultural/Biological assets</b>								
<b>Intangible assets</b>								
<b>Investment properties</b>								
<b>Total</b>								
Land and buildings	82,968,733	40,610,813	78,622,718	202,222,264	5,666,551	5,027,265	10,693,816	212,916,090
Infrastructure	301,247,579	4,879,000	5,232,994	311,359,563	3,909,302	10,727,669	14,636,971	325,996,534
Specialised vehicles	12,802,063	-	597,061	13,227,374	5,769,500	1,568,194	7,337,694	20,565,068
Other assets	945,478,975	298,687,615	85,431,803	1,332,102,490	35,990,796	16,768,538	52,759,334	1,384,861,824
	1,342,517,350	344,177,428	169,984,566	1,856,511,691	51,336,149	34,091,666	85,427,815	1,944,339,506



# Vhembe District Municipality

## Appendix C

June 2011

### Segmental analysis of property, plant and equipment as at 30 June 2010 Cost/Revaluation

### Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>									
Executive & Council/Mayor and Council	3,055,480	756,679	(186,111)	103,728	3,729,776	932,188	440,921	1,373,109	5,102,885
Finance & Admin/Finance	31,507,444	1,473,141	(172,254)	764,895	33,573,226	15,221,060	5,700,815	21,011,875	54,585,101
Planning and Development/Economic Development/Plan	63,193,224	10,199,998	(25,368)	(5,107)	73,362,747	434,049	139,448	573,497	73,936,244
Comm. & Social/Libraries and archives	152,049,243	33,096,976	(1,194,718)	1,047,779	184,999,280	10,652,136	7,871,328	18,533,466	203,532,746
Environmental Protection/Pollution Control	-	38,799	(9,482)	90,751	118,068	89,468	58,226	147,694	265,762
Water/Water Distribution	1,354,284,328	258,003,022	(1,463,581)	90,003,221	1,700,826,990	18,330,697	14,759,795	33,090,492	1,733,917,482
	1,604,089,719	303,566,615	(3,051,514)	92,005,287	1,996,610,087	45,669,600	29,060,533	74,730,133	2,071,340,220
<b>Total</b>									
<b>Municipality</b>									
	1,604,089,719	303,566,615	(3,051,514)	92,005,287	1,996,610,087	45,669,600	29,060,533	74,730,133	2,071,340,220
	1,604,089,719	303,566,615	(3,051,514)	92,005,287	1,996,610,087	45,669,600	29,060,533	74,730,133	2,071,340,220

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Month**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>Municipality</b>						
83,483,100	63,289,318	20,193,782	Executive & Council/Mayor and Council	37,209,673	29,563,731	7,645,942
25,789,106	18,490,524	7,298,582	Finance & Admin/Finance	85,410,750	62,538,198	22,872,552
82,159,208	44,045,866	38,113,342	Planning and Development/Economic Development/Plan	24,865,567	16,913,333	7,952,234
89,588,411	76,188,089	13,400,322	Comm. & Social/Libraries and archives	54,826,056	56,856,021	(2,029,965)
12,714,935	9,884,981	2,829,954	Environmental Protection/Pollution Control	10,430,354	11,579,767	(1,149,413)
805,323,707	614,628,745	190,694,962	Water/Water Distribution	310,622,136	218,283,388	92,338,748
<b>1,099,058,467</b>	<b>826,527,523</b>	<b>272,530,944</b>		<b>523,364,536</b>	<b>395,734,438</b>	<b>127,630,098</b>
<b>Municipal Owned Entities Other charges</b>						
1,099,058,467	826,527,523	272,530,944	Municipality	523,364,536	395,734,438	127,630,098
<b>1,099,058,467</b>	<b>826,527,523</b>	<b>272,530,944</b>	<b>Total</b>	<b>523,364,536</b>	<b>395,734,438</b>	<b>127,630,098</b>

Vhembe District Municipality  
Appendix E(1)  
June 2011

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2011

	Current year 2010 Act. Bal. Rand	Current year 2010 Bud. Amt Rand	Variance Rand	Var
<b>Revenue</b>				
Sale of water	77,687,333	25,340,770	52,346,563	206.6
Rental of facilities and equipment	52,746	61,658	(8,912)	(14.5)
Interest received	9,940,209	10,255,944	(315,735)	(3.1)
Government grants & subsidies	768,937,872	815,011,644	(46,073,772)	(5.7)
Other income	134,064,811	400,115,185	(266,050,374)	(66.5)
Interest received - investment	-	-	-	-
	990,682,971	250,785,201	(260,102,230)	(20.8)
<b>Expenses</b>				
Personnel	(208,614,636)	203,355,787	(411,970,423)	(202.6)
Remuneration of councillors	7,245,000	7,105,439	139,561	2.0
Administration	1,964,400	1,656,777	307,623	18.6
Transfer payments	(44,131,614)	(34,700,250)	(9,431,364)	27.2
Depreciation	(30,634,444)	5,443,487	(36,077,931)	(662.8)
Amortisation	(148,732)	-	(148,732)	-
Impairments	-	-	-	-
Finance costs	(2,043,871)	2,043,871	(4,087,742)	(200.0)
Debt impairment	(11,933,760)	-	(11,933,760)	-
Collection costs	(1,390,177)	1,377,927	(2,768,104)	(200.9)
Repairs and maintenance - General	58,057,662	37,491,802	20,565,860	54.9
General Expenses	241,835,061	678,779,234	(436,944,173)	(64.4)
	10,204,889	902,554,074	(892,349,185)	(98.9)
<b>Other revenue and costs</b>				
Fair value adjustments	(17,862,827)	-	(17,862,827)	-
	(17,862,827)	-	(17,862,827)	-
<b>Net surplus/ (deficit) for the year</b>	983,025,033	153,339,275	(1,170,314,242)	(54.3)

**Budget Analysis of Capital Expenditure as at 30 June  
2011**

	<b>Additions</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Variance</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>%</b>
<b>Municipality</b>				
Executive & Council/Mayor and Council	2,370,123	11,317,250	8,947,127	79
Finance & Admin/Finance	152,800	300,000	147,200	49
Planning and Development/Economic Development/Plan	13,804,555	38,165,371	24,360,816	64
Comm. & Social/Libraries and archives	19,849,212	31,684,204	11,834,992	37
Environmental Protection/Pollution Control	41,299	3,590,000	3,548,701	99
Water/Water Distribution	425,965,989	622,737,353	196,771,364	32
	<b>462,183,978</b>	<b>707,794,178</b>	<b>245,610,200</b>	<b>35</b>
<b>Municipal Owned Entities</b>				
<b>Other charges</b>				

Vhembe District Municipality  
Appendix F  
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003  
June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Mar	Jun	Mar	Jun	
Municipal System Improvement Grant		750,000	-	-	-	-	148,309	-	-	Yes
Municipal Infrastructure Grant		50,000,000	76,000,000	40,000,000	50,342,000	-	-	87,459,248	-	Yes
Equitable share		154,685,777	123,748,621	92,811,466	-	-	-	92,811,466	-	Yes
Local Government Management grant		1,000,000	-	-	-	-	151,619	218,316	-	Yes
Department of water and forestry water operations subsidy		23,030,000	-	84,385,000	-	-	-	84,385,000	-	Yes
Department of water affairs and projects		7,661,492	1,761,690	-	-	-	-	-	-	Yes
grant										
Municipal Health EPWP		6,706,500	-	3,353,250	6,907,750	-	-	5,225,668	-	Yes
Regional Service Levy Replacement grant		-	1,595,000	270,000	2,072,000	-	-	-	-	Yes
ACIP		-	-	-	-	-	-	-	-	Yes
		-	19,975,488	-	-	-	4,993,872	4,993,872	4,993,872	Yes
		243,833,769	223,080,799	220,819,716	59,321,750	-	232,887,242	226,516,343	275,358,252	-
									5,293,800	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Vhembe District Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003  
June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Mar	Jun	Mar	Jun	
Municipal System Improvement Grant		750,000	-	-	-	-	148,309	264,682	148,309	Yes
Municipal Infrastructure Grant		50,000,000	76,000,000	40,000,000	50,342,000	-	-	87,459,248	-	Yes
Equitable share		154,685,777	123,748,621	92,811,466	-	-	-	92,811,466	-	Yes
Local Government Management grant		1,000,000	-	-	-	-	151,619	218,316	-	Yes
Department of water and forestry water operations subsidy		23,030,000	-	84,385,000	-	-	-	84,385,000	-	Yes
Department of water affairs and projects		7,661,492	1,761,690	-	-	-	-	-	-	Yes
Municipal Health EPWP		6,706,500	-	3,353,250	6,907,750	-	-	5,225,668	-	Yes
Regional Service Levy Replacement grant		-	1,595,000	270,000	2,072,000	-	-	-	-	Yes
ACIP		-	-	-	-	-	-	-	-	Yes
		-	19,975,488	-	-	-	4,993,872	4,993,872	4,993,872	Yes
		243,833,769	223,080,799	220,819,716	59,321,750	-	232,887,242	275,358,252	5,293,800	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Vhembe District Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Mar	Jun	Mar	Jun	
Municipal System Improvement Grant		750,000	-	-	-	-	148,309	-	-	Yes
Municipal Infrastructure Grant		50,000,000	76,000,000	40,000,000	50,342,000	-	-	-	-	Yes
Equitable share		154,685,777	123,748,621	92,811,466	-	-	-	-	-	Yes
Local Government Management grant		1,000,000	-	-	-	-	151,619	-	-	Yes
Department of water and forestry water operations subsidy		23,030,000	-	84,385,000	-	-	-	-	-	Yes
Department of water affairs and projects grant		7,661,492	1,761,690	-	-	-	-	-	-	Yes
Municipal Health EPWP		6,706,500	-	3,353,250	6,907,750	-	-	-	-	Yes
Regional Service Levy Replacement grant		-	1,595,000	270,000	2,072,000	-	-	-	-	Yes
ACIP		-	-	-	-	-	-	-	-	Yes
		-	19,975,488	-	-	-	4,993,872	-	-	Yes
		243,833,769	223,080,799	220,819,716	59,321,750	-	232,887,242	226,516,343	275,358,252	5,293,800

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.